

S 971 IS

109th CONGRESS  
1st Session  
**S. 971**

To amend the Internal Revenue Code of 1986 to encourage and accelerate the nationwide production, retail sale, and consumer use of new motor vehicles that are powered by fuel cell technology, hybrid technology, battery electric technology, alternative fuels, or other advanced motor vehicle technologies, and for other purposes.

**IN THE SENATE OF THE UNITED STATES**

**April 28, 2005**

Mr. HATCH (for himself, Mr. ROCKEFELLER, Mr. ENSIGN, Mr. CHAFEE, Ms. COLLINS, Ms. SNOWE, Mr. JEFFORDS, Mr. LIEBERMAN, and Mr. SMITH) introduced the following bill; which was read twice and referred to the Committee on Finance

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**A BILL**

To amend the Internal Revenue Code of 1986 to encourage and accelerate the nationwide production, retail sale, and consumer use of new motor vehicles that are powered by fuel cell technology, hybrid technology, battery electric technology, alternative fuels, or other advanced motor vehicle technologies, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE; ETC.**

(a) Short Title- This Act may be cited as the 'Clean Efficient Automobiles Resulting From Advanced Car Technologies (CLEAR ACT) Act of 2005'.

(b) Amendment of 1986 Code- Except as otherwise expressly provided, whenever in this division an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) Table of Contents- The table of contents for this Act is as follows:

- Sec. 1. Short title; etc.
- Sec. 2. Findings and purposes.
- Sec. 3. Alternative motor vehicle credit.
- Sec. 4. Modification of credit for qualified electric vehicles.
- Sec. 5. Credit for installation of alternative fueling stations.
- Sec. 6. Credit for retail sale of alternative fuels as motor vehicle fuel.
- Sec. 7. Study of effectiveness of certain provisions by GAO.

## **SEC. 2. FINDINGS AND PURPOSES.**

(a) Findings- Congress finds the following:

- (1) The United States is a large and diverse geographic area that includes densely populated urban and suburban areas along with large sparsely populated rural areas separated by long distances, and, as a result, Americans require reliable, efficient, and diversified modes of transportation.
- (2) According to the Energy Information Administration's (referred to in this section as the 'EIA') March 2000 publication 'International Energy Outlook', oil currently provides a larger share of world energy consumption than any other energy source and most of the growth in oil consumption in industrialized countries, including the United States, is projected for the transportation sector, where few alternatives are currently economical.
- (3) To meet all its national security, economic development, and public health and welfare needs, the United States depends on oil as the primary fuel source for the transportation of people and goods and services in intrastate and interstate commerce.
- (4) Since 1994, the United States has imported over 50 percent of the oil it has consumed and the EIA expects North American petroleum imports from the Persian Gulf to more than double over the forecast period of 1997-2020, with additional imports from offshore Atlantic Basin producers and refiners; this increasingly heavy reliance on imported oil presents national security risks, contributes negatively to the balance of trade of the United States, and adversely affects the United States economy, public health, and the environment.

(5) The United States currently has 121 areas containing over a third of its population that do not meet the National Ambient Air Quality Standards resulting in losses of many billions of dollars in extra economic costs and lost opportunities, immeasurable health problems, and a general reduction in the quality of life for millions of Americans.

(6) Mobile sources have become a top cause of emissions in the United States.

(7) This heavy reliance on imported oil and failure to meet the National Ambient Air Quality Standards demonstrate the need to accelerate development of advanced fuel cell technology, hybrid technology, battery electric technology, and alternative fuels technology for new motor vehicles in the transportation of people and goods and services as an important means of helping to reverse the trends of increasing dependence on oil imports and non-attainment of air quality standards, contributing to lessening national security risks, improving our balance of trade with other nations, increasing economic growth, improving health and quality of life for millions of Americans, and providing public health, welfare, and economic benefits.

(8) Despite the availability of significant Federal and private sector funds and programs to encourage technological advancement for the development and use of motor vehicles that are powered by fuel cell and hybrid technologies, battery electric technology, and alternative technologies, consumer acceptance of such vehicles and fuels has been restrained by 3 major barriers--the increased costs of these technologies, the cost of alternative fuels, and the lack of adequate infrastructure to refuel the alternative-fueled vehicles.

(b) Purposes- The purposes of this Act are to--

(1) help instill consumer confidence and acceptance of alternative motor vehicles by lowering the 3 major barriers to this confidence and acceptance;

(2) enable the accelerated introduction into the marketplace of new motor vehicle technologies without adverse emission impact, while retaining a policy of fuel neutrality in order to foster private innovation and commercialization and allow market forces to decide the technologies and fuels that are consumer-friendly, safe, environmentally sound, and economic;

- ### SEC. 3. ALTERNATIVE MOTOR VEHICLE CREDIT.

## SEC. 30B. ALTERNATIVE MOTOR VEHICLE CREDIT.

- ^ (a) Allowance of Credit- There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of--
  - ^ (1) the new qualified fuel cell motor vehicle credit determined under subsection (b),
  - ^ (2) the new qualified hybrid motor vehicle credit determined under subsection (c), and
  - ^ (3) the new qualified alternative fuel motor vehicle credit determined under subsection (d).
- ^ (b) New Qualified Fuel Cell Motor Vehicle Credit-
  - ^ (1) IN GENERAL- For purposes of subsection (a), the new qualified fuel cell motor vehicle credit determined under this subsection with respect to a new qualified fuel cell motor vehicle placed in service by the taxpayer during the taxable year is--
    - ^ (A) \$8,000 (\$4,000 in the case of vehicles placed in service after December 31, 2009), if such vehicle has a gross vehicle weight rating of not more than 8,500 pounds,
    - ^ (B) \$10,000, if such vehicle has a gross vehicle weight rating of more than 8,500 pounds but not more than 14,000 pounds,

- 45.2 mpg

	2,000 lbs
39.6 mpg	
	2,250 lbs
35.2 mpg	
	2,500 lbs
31.7 mpg	
	2,750 lbs
28.8 mpg	
	3,000 lbs
26.4 mpg	
	3,500 lbs
22.6 mpg	
	4,000 lbs
19.8 mpg	
	4,500 lbs
17.6 mpg	
	5,000 lbs
15.9 mpg	
	5,500 lbs
14.4 mpg	
	6,000 lbs
13.2 mpg	
	6,500 lbs

12.2 mpg

7,000 to 8,500 lbs

11.3 mpg.

` (ii) In the case of a light truck:

` **If vehicle inertia**

**The 2002 model year city**

**weight class is:**

**fuel economy is:**

1,500 or 1,750 lbs

39.4 mpg

2,000 lbs

35.2 mpg

2,250 lbs

31.8 mpg

2,500 lbs

29.0 mpg

2,750 lbs

26.8 mpg

3,000 lbs

24.9 mpg

3,500 lbs

21.8 mpg

4,000 lbs

19.4 mpg

4,500 lbs

17.6 mpg

5,000 lbs

16.1 mpg

5,500 lbs

14.8 mpg

6,000 lbs

13.7 mpg

6,500 lbs

12.8 mpg

7,000 to 8,500 lbs

12.1 mpg.

` (C) VEHICLE INERTIA WEIGHT CLASS- For purposes of subparagraph (B), the term ` vehicle inertia weight class' has the same meaning as when defined in regulations prescribed by the Administrator of the Environmental Protection Agency for purposes of the administration of title II of the Clean Air Act (42 U.S.C. 7521 et seq.).

` (3) NEW QUALIFIED FUEL CELL MOTOR VEHICLE- For purposes of this subsection, the term ` new qualified fuel cell motor vehicle' means a motor vehicle--

` (A) which is propelled by power derived from one or more cells which convert chemical energy directly into electricity by combining oxygen with hydrogen fuel which is stored on board the vehicle in any form and may or may not require reformation prior to use,

` (B) which, in the case of a passenger automobile or light truck, has received a certificate that such vehicle meets or exceeds the Bin 5 Tier II emission level established in regulations prescribed by the Administrator of the Environmental Protection Agency under section 202(i) of the Clean Air Act for that make and model year vehicle,



` (C) the original use of which commences with the taxpayer,

` (D) which is acquired for use or lease by the taxpayer and not for resale, and

` (E) which is made by a manufacturer.

` (c) New Qualified Hybrid Motor Vehicle Credit-

` (1) IN GENERAL- For purposes of subsection (a), the new qualified hybrid motor vehicle credit determined under this subsection with respect to a new qualified hybrid motor vehicle placed in service by the taxpayer during the taxable year is the credit amount determined under paragraph (2).

` (2) CREDIT AMOUNT-

` (A) IN GENERAL- The credit amount determined under this paragraph shall be determined in accordance with the following tables:

` (i) In the case of a new qualified hybrid motor vehicle which is a passenger automobile, medium duty passenger vehicle, or light truck and which provides the following percentage of the maximum available power:

**` If percentage of the maximum available power is:**

**The credit amount is:**

At least 5 percent but less than 10 percent

\$250

At least 10 percent but less than 20 percent

\$500

At least 20 percent but less than 30 percent

\$750

At least 30 percent

\$1,000.

` (ii) In the case of a new qualified hybrid motor vehicle which is a heavy duty hybrid motor vehicle and which provides the following percentage of the maximum available power:

` (I) If such vehicle has a gross vehicle weight rating of not more than 14,000 pounds:

**` If percentage of the maximum available power is:**

**The credit amount is:**

At least 20 percent but less than 30 percent

\$1,000

At least 30 percent but less than 40 percent

\$1,750

At least 40 percent but less than 50 percent

\$2,000

At least 50 percent but less than 60 percent

\$2,250

At least 60 percent

\$2,500.

` (II) If such vehicle has a gross vehicle weight rating of more than 14,000 but not more than 26,000 pounds:

**` If percentage of the maximum available power is:**

**The credit amount is:**

At least 20 percent but less than 30 percent

\$4,000

At least 30 percent but less than 40 percent

\$4,500

At least 40 percent but less than 50 percent

\$5,000

At least 50 percent but less than 60 percent

\$5,500

At least 60 percent

\$6,000.

` (III) If such vehicle has a gross vehicle weight rating of more than 26,000 pounds:

**` If percentage of the maximum available power is:**

**The credit amount is:**

At least 20 percent but less than 30 percent

\$6,000

At least 30 percent but less than 40 percent

\$7,000

At least 40 percent but less than 50 percent

\$8,000

At least 50 percent but less than 60 percent

\$9,000

At least 60 percent

\$10,000.

` (B) INCREASE FOR FUEL EFFICIENCY-

` (i) AMOUNT- The amount determined under subparagraph (A)(i) with respect to a new qualified hybrid motor vehicle which is a passenger automobile or light truck shall be increased by--

` (I) \$500, if such vehicle achieves at least 125 percent but less than 150 percent of the 2002 model year city fuel economy,

` (II) \$1,000, if such vehicle achieves at least 150 percent but less than 175

percent of the 2002 model year city fuel economy,

` (III) \$1,500, if such vehicle achieves at least 175 percent but less than 200 percent of the 2002 model year city fuel economy,

` (IV) \$2,000, if such vehicle achieves at least 200 percent but less than 225 percent of the 2002 model year city fuel economy,

` (V) \$2,500, if such vehicle achieves at least 225 percent but less than 250 percent of the 2002 model year city fuel economy, and

` (VI) \$3,000, if such vehicle achieves at least 250 percent of the 2002 model year city fuel economy.

` (ii) 2002 MODEL YEAR CITY FUEL ECONOMY-

For purposes of clause (i), the 2002 model year city fuel economy with respect to a vehicle shall be determined on a gasoline gallon equivalent basis as determined by the Administrator of the Environmental Protection Agency using the tables provided in subsection (b)(2)(B) with respect to such vehicle.

` (C) INCREASE FOR ACCELERATED EMISSIONS PERFORMANCE- The amount determined under subparagraph (A)(ii) with respect to an applicable heavy duty hybrid motor vehicle shall be increased by the increased credit amount determined in accordance with the following tables:

` (i) In the case of a vehicle which has a gross vehicle weight rating of not more than 14,000 pounds:

` **If the model year is:**

**The increased credit amount is:**

2005

\$2,000

2006

\$1,500.

` (ii) In the case of a vehicle which has a gross vehicle weight rating of more than 14,000 pounds but not more than 26,000 pounds:

` **If the model year is:**

**The increased credit amount is:**

2005

\$5,250

2006

\$4,000.

` (iii) In the case of a vehicle which has a gross vehicle weight rating of more than 26,000 pounds:

` **If the model year is:**

**The increased credit amount is:**

2005

\$8,000

2006

\$6,000.

` (D) DEFINITIONS RELATING TO CREDIT AMOUNT-

` (i) APPLICABLE HEAVY DUTY HYBRID MOTOR VEHICLE- For purposes of subparagraph (C), the term 'applicable heavy duty hybrid motor vehicle' means a heavy duty hybrid motor vehicle which is powered by an internal combustion or heat engine which is certified as meeting the emission standards set in the regulations prescribed by the Administrator of the Environmental Protection Agency for 2007 and later model year diesel heavy duty

engines, or for 2008 and later model year motorcycle heavy duty engines, as applicable.

` (ii) MAXIMUM AVAILABLE POWER-

` (I) PASSENGER AUTOMOBILE, MEDIUM DUTY PASSENGER VEHICLE, OR LIGHT TRUCK- For purposes of subparagraph (A)(i), the term `maximum available power' means the maximum power available from the rechargeable energy storage system, during a standard 10 second pulse power or equivalent test, divided by such maximum power and the SAE net power of the heat engine.

` (II) HEAVY DUTY HYBRID MOTOR VEHICLE- For purposes of subparagraph (A)(ii), the term `maximum available power' means the maximum power available from the rechargeable energy storage system, during a standard 10 second pulse power or equivalent test, divided by the vehicle's total traction power. The term `total traction power' means the sum of the peak power from the rechargeable energy storage system and the heat engine peak power of the vehicle, except that if such storage system is the sole means by which the vehicle can be driven, the total traction power is the peak power of such storage system.

` (3) NEW QUALIFIED HYBRID MOTOR VEHICLE- For purposes of this subsection, the term `new qualified hybrid motor vehicle' means a motor vehicle--

` (A) which draws propulsion energy from onboard sources of stored energy which are both--

` (i) an internal combustion or heat engine using combustible fuel, and

` (ii) a rechargeable energy storage system,

` (B) which, in the case of a passenger automobile, medium duty passenger vehicle, or light truck, has received a certificate that such vehicle meets or exceeds the Bin 5 Tier II emission level established in regulations prescribed by the Administrator of the Environmental Protection Agency under section

202(i) of the Clean Air Act for that make and model year vehicle,

- ` (C) which, in the case of a heavy duty hybrid motor vehicle, the internal combustion or heat engine of which has received a certificate of conformity under the Clean Air Act as meeting the emission standards set in the regulations prescribed by the Administrator of the Environmental Protection Agency for 2004 through 2007 model year diesel heavy duty engines or ottocycle heavy duty engines, as applicable,

- ` (D) the original use of which commences with the taxpayer,

- ` (E) which is acquired for use or lease by the taxpayer and not for resale, and

- ` (F) which is made by a manufacturer.

- ` (4) HEAVY DUTY HYBRID MOTOR VEHICLE- For purposes of this subsection, the term `heavy duty hybrid motor vehicle' means a new qualified hybrid motor vehicle which has a gross vehicle weight rating of more than 8,500 pounds. Such term does not include a medium duty passenger vehicle.

- ` (d) New Qualified Alternative Fuel Motor Vehicle Credit-

- ` (1) ALLOWANCE OF CREDIT- Except as provided in paragraph (5), the new qualified alternative fuel motor vehicle credit determined under this subsection is an amount equal to the applicable percentage of the incremental cost of any new qualified alternative fuel motor vehicle placed in service by the taxpayer during the taxable year.

- ` (2) APPLICABLE PERCENTAGE- For purposes of paragraph (1), the applicable percentage with respect to any new qualified alternative fuel motor vehicle is--

- ` (A) 50 percent, plus

- ` (B) 30 percent, if such vehicle--

- ` (i) has received a certificate of conformity under the Clean Air Act and meets or exceeds the most stringent standard available for certification under the Clean Air Act for that make and model year vehicle (other than a zero emission standard), or

- ` (ii) has received an order certifying the vehicle as meeting the same requirements as vehicles which may be sold or leased in California and meets or exceeds the most

stringent standard available for certification under the State laws of California (enacted in accordance with a waiver granted under section 209(b) of the Clean Air Act) for that make and model year vehicle (other than a zero emission standard).

For purposes of the preceding sentence, in the case of any new qualified alternative fuel motor vehicle which weighs more than 14,000 pounds gross vehicle weight rating, the most stringent standard available shall be such standard available for certification in 2002.

` (3) INCREMENTAL COST- For purposes of this subsection, the incremental cost of any new qualified alternative fuel motor vehicle is equal to the amount of the excess of the manufacturer's suggested retail price for such vehicle over such price for a gasoline or diesel fuel motor vehicle of the same model, to the extent such amount does not exceed--

` (A) \$5,000, if such vehicle has a gross vehicle weight rating of not more than 8,500 pounds,

` (B) \$10,000, if such vehicle has a gross vehicle weight rating of more than 8,500 pounds but not more than 14,000 pounds,

` (C) \$25,000, if such vehicle has a gross vehicle weight rating of more than 14,000 pounds but not more than 26,000 pounds, and

` (D) \$40,000, if such vehicle has a gross vehicle weight rating of more than 26,000 pounds.

` (4) NEW QUALIFIED ALTERNATIVE FUEL MOTOR VEHICLE- For purposes of this subsection--

` (A) IN GENERAL- The term `new qualified alternative fuel motor vehicle' means any motor vehicle--

` (i) which is only capable of operating on an alternative fuel,

` (ii) the original use of which commences with the taxpayer,

` (iii) which is acquired by the taxpayer for use or lease, but not for resale, and

` (iv) which is made by a manufacturer.

` (B) ALTERNATIVE FUEL- The term `alternative fuel' means compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, and any liquid at least 85 percent of the volume of which consists of methanol.



` (5) CREDIT FOR MIXED-FUEL VEHICLES-

` (A) IN GENERAL- In the case of a mixed-fuel vehicle placed in service by the taxpayer during the taxable year, the credit determined under this subsection is an amount equal to--

` (i) in the case of a 75/25 mixed-fuel vehicle, 70 percent of the credit which would have been allowed under this subsection if such vehicle was a qualified alternative fuel motor vehicle, and

` (ii) in the case of a 90/10 mixed-fuel vehicle, 90 percent of the credit which would have been allowed under this subsection if such vehicle was a qualified alternative fuel motor vehicle.

` (B) MIXED-FUEL VEHICLE- For purposes of this subsection, the term `mixed-fuel vehicle' means any motor vehicle described in subparagraph (C) or (D) of paragraph (3), which--

` (i) is certified by the manufacturer as being able to perform efficiently in normal operation on a combination of an alternative fuel and a petroleum-based fuel,

` (ii) either--

` (I) has received a certificate of conformity under the Clean Air Act, or  
` (II) has received an order certifying the vehicle as meeting the same requirements as vehicles which may be sold or leased in California and meets or exceeds the low emission vehicle standard under section 88.105-94 of title 40, Code of Federal Regulations, for that make and model year vehicle,

` (iii) the original use of which commences with the taxpayer,

` (iv) which is acquired by the taxpayer for use or lease, but not for resale, and

` (v) which is made by a manufacturer.

` (C) 75/25 mixed-fuel vehicle- For purposes of this subsection, the term `75/25 mixed-fuel vehicle' means a mixed-fuel vehicle which operates using at least 75 percent alternative fuel and not more than 25 percent petroleum-based fuel.

` (D) 90/10 mixed-fuel vehicle- For purposes of this subsection, the term ` 90/10 mixed-fuel vehicle' means a mixed-fuel vehicle which operates using at least 90 percent alternative fuel and not more than 10 percent petroleum-based fuel.

` (e) Application With Other Credits- The credit allowed under subsection (a) for any taxable year shall not exceed the excess (if any) of--

` (1) the regular tax for the taxable year reduced by the sum of the credits allowable under subpart A and sections 27, 29, and 30, over

` (2) the tentative minimum tax for the taxable year.

` (f) Other Definitions and Special Rules- For purposes of this section--

` (1) CONSUMABLE FUEL- The term ` consumable fuel' means any solid, liquid, or gaseous matter which releases energy when consumed by an auxiliary power unit.

` (2) MOTOR VEHICLE- The term ` motor vehicle' has the meaning given such term by section 30(c)(2).

` (3) CITY FUEL ECONOMY- The city fuel economy with respect to any vehicle shall be measured in a manner which is substantially similar to the manner city fuel economy is measured in accordance with procedures under part 600 of subchapter Q of chapter I of title 40, Code of Federal Regulations, as in effect on the date of the enactment of this section.

` (4) OTHER TERMS- The terms ` automobile', ` passenger automobile', ` medium duty passenger vehicle', ` light truck', and ` manufacturer' have the meanings given such terms in regulations prescribed by the Administrator of the Environmental Protection Agency for purposes of the administration of title II of the Clean Air Act (42 U.S.C. 7521 et seq.).

` (5) REDUCTION IN BASIS- For purposes of this subtitle, the basis of any property for which a credit is allowable under subsection (a) shall be reduced by the amount of such credit so allowed (determined without regard to subsection (e)).

` (6) NO DOUBLE BENEFIT- The amount of any deduction or other credit allowable under this chapter--

` (A) for any incremental cost taken into account in computing the amount of the credit determined under subsection (d) shall be reduced by the amount of such credit attributable to such cost, and

` (B) with respect to a vehicle described under subsection (b) or (c), shall be reduced by the amount of credit allowed under subsection (a) for such vehicle for the taxable year.

` (7) PROPERTY USED BY TAX-EXEMPT ENTITIES- In the case of a credit amount which is allowable with respect to a motor vehicle which is acquired by an entity exempt from tax under this chapter, the person which sells or leases such vehicle to the entity shall be treated as the taxpayer with respect to the vehicle for purposes of this section and the credit shall be allowed to such person, but only if the person clearly discloses to the entity at the time of any sale or lease the specific amount of any credit otherwise allowable to the entity under this section.

` (8) RECAPTURE- The Secretary shall, by regulations, provide for recapturing the benefit of any credit allowable under subsection (a) with respect to any property which ceases to be property eligible for such credit (including recapture in the case of a lease period of less than the economic life of a vehicle).

` (9) PROPERTY USED OUTSIDE UNITED STATES, ETC., NOT QUALIFIED- No credit shall be allowed under subsection (a) with respect to any property referred to in section 50(b) or with respect to the portion of the cost of any property taken into account under section 179.

` (10) ELECTION TO NOT TAKE CREDIT- No credit shall be allowed under subsection (a) for any vehicle if the taxpayer elects to not have this section apply to such vehicle.

` (11) CARRYBACK AND CARRYFORWARD ALLOWED-

` (A) IN GENERAL- If the credit amount allowable under subsection (a) for a taxable year exceeds the amount of the limitation under subsection (e) for such taxable year (in this paragraph referred to as the `unused credit year'), such excess shall be allowed as a credit carryback for each of the 3 taxable years beginning after the date of the enactment of this section, which precede the unused credit year and a credit carryforward for each of the 20 taxable years which succeed the unused credit year.

` (B) RULES- Rules similar to the rules of section 39 shall apply with respect to the credit carryback and credit carryforward under subparagraph (A).

` (12) INTERACTION WITH AIR QUALITY AND MOTOR VEHICLE SAFETY STANDARDS- Unless otherwise provided in this section, a motor vehicle shall not be considered eligible for a credit under this section unless such vehicle is in compliance with--

` (A) the applicable provisions of the Clean Air Act for the applicable make and model year of the vehicle (or applicable air quality provisions of State law in the case of a State which has adopted such provision under a waiver under section 209(b) of the Clean Air Act), and

` (B) the motor vehicle safety provisions of sections 30101 through 30169 of title 49, United States Code.

` (g) Regulations-

` (1) IN GENERAL- Except as provided in paragraph (2), the Secretary shall promulgate such regulations as necessary to carry out the provisions of this section.

` (2) COORDINATION IN PRESCRIPTION OF CERTAIN REGULATIONS- The Secretary of the Treasury, in coordination with the Secretary of Transportation and the Administrator of the Environmental Protection Agency, shall prescribe such regulations as necessary to determine whether a motor vehicle meets the requirements to be eligible for a credit under this section.

` (h) Termination- This section shall not apply to any property purchased after--

` (1) in the case of a new qualified fuel cell motor vehicle (as described in subsection (b)), December 31, 2014, and

` (2) in the case of any other property, December 31, 2010.'

(b) Conforming Amendments-

(1) Section 1016(a) is amended by striking `and' at the end of paragraph (30), by striking the period at the end of paragraph (31) and inserting `, and', and by adding at the end the following new paragraph:

` (32) to the extent provided in section 30B(f)(5).'

(2) Section 55(c)(2) is amended by inserting `30B(e),' after `30(b)(3).'

(3) Section 6501(m) is amended by inserting `30B(f)(10),' after `30(d)(4).'

(4) The table of sections for subpart B of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 30A the following new item:

` Sec. 30B. Alternative motor vehicle credit.'

(c) Effective Date- The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act, in taxable years ending after such date.

#### **SEC. 4. MODIFICATION AND EXTENSION OF CREDIT FOR QUALIFIED ELECTRIC VEHICLES.**

(a) Amount of Credit-

(1) IN GENERAL- Section 30(a) (relating to allowance of credit) is amended by striking ` 10 percent of'.

(2) LIMITATION OF CREDIT ACCORDING TO TYPE OF VEHICLE- Section 30(b) (relating to limitations) is amended--

(A) by striking paragraphs (1) and (2) and inserting the following new paragraph:

` (1) LIMITATION ACCORDING TO TYPE OF VEHICLE- The amount of the credit allowed under subsection (a) for any vehicle shall not exceed the greatest of the following amounts applicable to such vehicle:

` (A) In the case of a vehicle which conforms to the Motor Vehicle Safety Standard 500 prescribed by the Secretary of Transportation, as in effect on the date of the enactment of the Clean Efficient Automobiles Resulting From Advanced Car Technologies (CLEAR ACT) Act of 2005, the lesser of--

` (i) 10 percent of the manufacturer's suggested retail price of the vehicle, or

` (ii) \$1,500.

` (B) In the case of a vehicle not described in subparagraph (A) with a gross vehicle weight rating not exceeding 8,500 pounds--

` (i) \$4,000, or

` (ii) \$6,000, if such vehicle is--

` (I) capable of a driving range of at least 100 miles on a single charge of the vehicle's rechargeable batteries as measured pursuant to the urban dynamometer schedules under appendix I to part 86 of title 40, Code of Federal Regulations, or

` (II) capable of a payload capacity of at least 1,000 pounds.

` (C) In the case of a vehicle with a gross vehicle weight rating exceeding 8,500 but not exceeding 14,000 pounds, \$10,000.

` (D) In the case of a vehicle with a gross vehicle weight rating exceeding 14,000 but not exceeding 26,000 pounds, \$20,000.

` (E) In the case of a vehicle with a gross vehicle weight rating exceeding 26,000 pounds, \$40,000.', and

(B) by redesignating paragraph (3) as paragraph (2).

(3) CONFORMING AMENDMENTS-

(A) Section 53(d)(1)(B)(iii) is amended by striking `section 30(b)(3)(B)' and inserting `section 30(b)(2)(B)'.

(B) Section 55(c)(2), as amended by this Act, is amended by striking `30(b)(3)' and inserting `30(b)(2)'.

(b) Qualified Battery Electric Vehicle-

(1) IN GENERAL- Section 30(c)(1)(A) (defining qualified electric vehicle) is amended to read as follows:

` (A) which is--

` (i) operated solely by use of a battery or battery pack, or

` (ii) powered primarily through the use of an electric battery or battery pack using a flywheel or capacitor which stores energy produced by an electric motor through regenerative braking to assist in vehicle operation,'.

(2) LEASED VEHICLES- Section 30(c)(1)(C) is amended by inserting `or lease' after `use'.

(3) CONFORMING AMENDMENTS-

(A) Subsections (a), (b)(2), and (c) of section 30 are each amended by inserting `battery' after `qualified' each place it appears.

(B) The heading of subsection (c) of section 30 is amended by inserting `Battery' after `Qualified'.

(C) The heading of section 30 is amended by inserting `battery' after `qualified'.

(D) The item relating to section 30 in the table of sections for subpart B of part IV of subchapter A of chapter 1 is amended by inserting `battery' after `qualified'.

(E) Section 179A(c)(3) is amended by inserting  
`battery' before `electric'.

(F) The heading of paragraph (3) of section 179A(c)  
is amended by inserting `BATTERY' before  
`ELECTRIC'.

(c) Additional Special Rules- Section 30(d) (relating to special  
rules) is amended by adding at the end the following new  
paragraphs:

` (5) NO DOUBLE BENEFIT- The amount of any deduction  
or other credit allowable under this chapter for any cost  
taken into account in computing the amount of the credit  
determined under subsection (a) shall be reduced by the  
amount of such credit attributable to such cost.

` (6) PROPERTY USED BY TAX-EXEMPT ENTITIES- In the  
case of a credit amount which is allowable with respect to  
a vehicle which is acquired by an entity exempt from tax  
under this chapter, the person which sells or leases such  
vehicle to the entity shall be treated as the taxpayer with  
respect to the vehicle for purposes of this section and the  
credit shall be allowed to such person, but only if the  
person clearly discloses to the entity at the time of any  
sale or lease the specific amount of any credit otherwise  
allowable to the entity under this section.

` (7) CARRYBACK AND CARRYFORWARD ALLOWED-

` (A) IN GENERAL- If the credit amount allowable  
under subsection (a) for a taxable year exceeds the  
amount of the limitation under subsection (b)(2) for  
such taxable year (in this paragraph referred to as  
the `unused credit year'), such excess shall be  
allowed as a credit carryback for each of the 3  
taxable years beginning after the date of the  
enactment of this paragraph, which precede the  
unused credit year and a credit carryforward for each  
of the 20 taxable years which succeed the unused  
credit year.

` (B) RULES- Rules similar to the rules of section 39  
shall apply with respect to the credit carryback and  
credit carryforward under subparagraph (A).'

(d) Extension of Credit- Section 30(e) (relating to termination) is  
amended by striking `2006' and inserting `2010'.

(e) Effective Date- The amendments made by this section shall  
apply to property placed in service after the date of the  
enactment of this Act, in taxable years ending after such date.

## **SEC. 5. CREDIT FOR INSTALLATION OF ALTERNATIVE FUELING STATIONS.**

(a) In General- Subpart B of part IV of subchapter A of chapter 1 (relating to foreign tax credit, etc.), as amended by this Act, is amended by adding at the end the following new section:

### **` SEC. 30C. CLEAN-FUEL VEHICLE REFUELING PROPERTY CREDIT.**

` (a) Credit Allowed- There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 50 percent of the amount paid or incurred by the taxpayer during the taxable year for the installation of qualified clean-fuel vehicle refueling property.

` (b) Limitation-

` (1) IN GENERAL- The credit allowed under subsection (a)--

` (A) with respect to any retail clean-fuel vehicle refueling property, shall not exceed \$30,000, and

` (B) with respect to any residential clean-fuel vehicle refueling property, shall not exceed \$1,000.

` (2) PHASEOUT-

` (A) IN GENERAL- Except as provided in subparagraph (B), in the case of any qualified clean-fuel vehicle refueling property placed in service after December 31, 2008, the limit otherwise applicable under paragraph (1) shall be reduced by--

` (i) 25 percent in the case of any property placed in service in calendar year 2009, and

` (ii) 50 percent in the case of any property placed in service in calendar year 2010.

` (B) HYDROGEN PROPERTY- In the case of any qualified clean-fuel vehicle refueling property relating to hydrogen placed in service after December 31, 2012, the limit otherwise applicable under paragraph (1) shall be reduced by--

` (i) 25 percent in the case of any property placed in service in calendar year 2013, and

` (ii) 50 percent in the case of any property placed in service in calendar year 2014.

` (c) Year Credit Allowed- The credit allowed under subsection (a) shall be allowed in the taxable year in which the qualified



clean-fuel vehicle refueling property is placed in service by the taxpayer.

` (d) Definitions- For purposes of this section--

` (1) QUALIFIED CLEAN-FUEL VEHICLE REFUELING

PROPERTY- The term `qualified clean-fuel vehicle refueling property' has the same meaning given such term by section 179A(d).

` (2) RESIDENTIAL CLEAN-FUEL VEHICLE REFUELING

PROPERTY- The term `residential clean-fuel vehicle refueling property' means qualified clean-fuel vehicle refueling property which is installed on property which is used as the principal residence (within the meaning of section 121) of the taxpayer.

` (3) RETAIL CLEAN-FUEL VEHICLE REFUELING PROPERTY-

The term `retail clean-fuel vehicle refueling property' means qualified clean-fuel vehicle refueling property which is installed on property (other than property described in paragraph (2)) used in a trade or business of the taxpayer.

` (e) Application With Other Credits- The credit allowed under subsection (a) for any taxable year shall not exceed the excess (if any) of--

` (1) the regular tax for the taxable year reduced by the sum of the credits allowable under subpart A and sections 27, 29, 30, and 30B, over

` (2) the tentative minimum tax for the taxable year.

` (f) Basis Reduction- For purposes of this title, the basis of any property shall be reduced by the portion of the cost of such property taken into account under subsection (a).

` (g) No Double Benefit- No deduction shall be allowed under section 179A with respect to any property with respect to which a credit is allowed under subsection (a).

` (h) Refueling Property Installed for Tax-Exempt Entities- In the case of qualified clean-fuel vehicle refueling property installed on property owned or used by an entity exempt from tax under this chapter, the person which installs such refueling property for the entity shall be treated as the taxpayer with respect to the refueling property for purposes of this section (and such refueling property shall be treated as retail clean-fuel vehicle refueling property) and the credit shall be allowed to such person, but only if the person clearly discloses to the entity in any installation contract the specific amount of the credit allowable under this section.

` (i) Carryforward Allowed-

` (1) IN GENERAL- If the credit amount allowable under subsection (a) for a taxable year exceeds the amount of the limitation under subsection (e) for such taxable year (referred to as the `unused credit year' in this subsection), such excess shall be allowed as a credit carryforward for each of the 20 taxable years following the unused credit year.

` (2) RULES- Rules similar to the rules of section 39 shall apply with respect to the credit carryforward under paragraph (1).

` (j) Special Rules- Rules similar to the rules of paragraphs (4) and (5) of section 179A(e) shall apply.

` (k) Regulations- The Secretary shall prescribe such regulations as necessary to carry out the provisions of this section.

` (l) Termination- This section shall not apply to any property placed in service--

` (1) in the case of property relating to hydrogen, after December 31, 2014, and

` (2) in the case of any other property, after December 31, 2010.'.

(b) Incentive for Production of Hydrogen at Qualified Clean-Fuel Vehicle Refueling Property- Section 179A(d) (defining qualified clean-fuel vehicle refueling property) is amended by adding at the end the following new flush sentence:

` In the case of clean-burning fuel which is hydrogen produced from another clean-burning fuel, paragraph (3)(A) shall be applied by substituting `production, storage, or dispensing' for `storage or dispensing' both places it appears.'.

(c) Conforming Amendments-

(1) Section 1016(a), as amended by this Act, is amended by striking `and' at the end of paragraph (28), by striking the period at the end of paragraph (29) and inserting `, and', and by adding at the end the following new paragraph:

` (30) to the extent provided in section 30C(f).'.

(2) Section 55(c)(2), as amended by this Act, is amended by inserting `30C(e),' after `30B(e)'.

(3) The table of sections for subpart B of part IV of subchapter A of chapter 1, as amended by this Act, is amended by inserting after the item relating to section 30B the following new item:

` Sec. 30C. Clean-fuel vehicle refueling property credit.'.

(d) Effective Date- The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act, in taxable years ending after such date.

## **SEC. 6. CREDIT FOR RETAIL SALE OF ALTERNATIVE FUELS AS MOTOR VEHICLE FUEL.**

(a) In General- Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by inserting after section 40A the following new section:

### **` SEC. 40B. CREDIT FOR RETAIL SALE OF ALTERNATIVE FUELS AS MOTOR VEHICLE FUEL.**

` (a) General Rule- For purposes of section 38, the alternative fuel retail sales credit for any taxable year is the applicable amount for each gasoline gallon equivalent of alternative fuel sold at retail by the taxpayer during such year as a fuel to propel any qualified motor vehicle.

` (b) Definitions- For purposes of this section--

` (1) APPLICABLE AMOUNT- The term `applicable amount' means as follows:

` (A) IN GENERAL- Except as provided in subparagraph (B), the amount determined in accordance with the following table:

**` In the case of any taxable year ending in--**

**The applicable amount is--**  
2005 or 2006

50 cents

2007

40 cents

2008 or 2009

30 cents.

` (B) HYDROGEN FUEL- In the case of an alternative fuel which is hydrogen fuel, the amount determined in accordance with the following table:

**` In the case of any taxable year**

**ending in--**  
**The applicable amount is--**  
2005 through 2011

50 cents

2012

40 cents

2013 or 2014

30 cents.

` (2) **ALTERNATIVE FUEL**- The term `alternative fuel' means compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, and any liquid at least 85 percent of the volume of which consists of methanol or ethanol.

` (3) **GASOLINE GALLON EQUIVALENT**- The term `gasoline gallon equivalent' means, with respect to any alternative fuel, the amount (determined by the Secretary) of such fuel having a Btu content of 114,000.

` (4) **QUALIFIED MOTOR VEHICLE**- The term `qualified motor vehicle' means any motor vehicle (as defined in section 30(c)(2)) which meets any applicable Federal or State emissions standards with respect to each fuel by which such vehicle is designed to be propelled.

` (5) **SOLD AT RETAIL**-

` (A) **IN GENERAL**- The term `sold at retail' means the sale, for a purpose other than resale, after manufacture, production, or importation.

` (B) **USE TREATED AS SALE**- If any person uses alternative fuel (including any use after importation) as a fuel to propel any qualified alternative fuel motor vehicle (as defined in section 30B(d)(4)) before such fuel is sold at retail, then such use shall be treated in the same manner as if such fuel were sold at retail as a fuel to propel such a vehicle by such person.

` (c) **Election to Pass Credit**- A person which sells alternative fuel at retail may elect to pass the credit allowable under this section to the purchaser of such fuel or, in the event the purchaser is a tax-exempt entity or otherwise declines to accept such credit, to

the person which supplied such fuel, under rules established by the Secretary.

` (d) No Double Benefit- The amount of any deduction or other credit allowable under this chapter for any fuel taken into account in computing the amount of the credit determined under subsection (a) shall be reduced by the amount of such credit attributable to such fuel.

` (e) Pass-Thru in the Case of Estates and Trusts- Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

` (f) Termination-

` (1) IN GENERAL- Except as provided in paragraph (2), this section shall not apply to any fuel sold at retail after December 31, 2009.

` (2) HYDROGEN FUEL- In the case of an alternative fuel which is hydrogen fuel, this section shall not apply to any fuel sold at retail after December 31, 2014.'.

(b) Credit Treated as Business Credit- Section 38(b) (relating to current year business credit) is amended by striking `plus' at the end of paragraph (18), by striking the period at the end of paragraph (19) and inserting `, plus', and by adding at the end the following new paragraph:

` (20) the alternative fuel retail sales credit determined under section 40B(a).'.

(c) Clerical Amendment- The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 40 the following new item:

` Sec. 40B. Credit for retail sale of alternative fuels as motor vehicle fuel.'.

(d) Effective Date- The amendments made by this section shall apply to fuel sold at retail after the date of the enactment of this Act, in taxable years ending after such date.

## **SEC. 7. STUDY OF EFFECTIVENESS OF CERTAIN PROVISIONS BY GAO.**

(a) Study- The Comptroller General of the United States shall undertake an ongoing analysis of--

(1) the effectiveness of the alternative motor vehicles and fuel incentives provisions under this Act, and

(2) the recipients of the tax benefits contained in such provisions, including an identification of such recipients by income and other appropriate measurements.

Such analysis shall quantify the effectiveness of such provisions by examining and comparing the Federal Government's forgone revenue to the aggregate amount of energy actually conserved and tangible environmental benefits gained as a result of such provisions.

(b) Reports- The Comptroller General of the United States shall report the analysis required under subsection (a) to Congress not later than December 31, 2006, and annually thereafter.